

PUBLIC DISCLOSURE

August 27, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

PILGRIM CO-OPERATIVE BANK

48 SOUTH MAIN STREET
COHASSET, MA 02025

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of PILGRIM CO-OPERATIVE BANK prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

This rating is based on the five performance criteria, which are evaluated within the performance context section of this Public Evaluation. The following summary highlights the results of each performance criteria.

The bank's average net loan-to-deposit ratio for the previous eight quarters is 80.5 percent and meets the standards for satisfactory performance at this time.

Lending within the assessment area is considered to meet the standards of satisfactory performance. In 1998 and year to date August 20, 1999, Pilgrim Co-operative Bank granted a total of 183 mortgage loans, of which 138, or 75.4 percent are within its assessment area.

The distribution of the bank's residential mortgage originations to low and moderate-income borrowers as a percentage of total originations is well above the aggregate for 1997. Pilgrim Co-operative Bank was ranked third in market share for low and moderate-income borrower originations within the assessment area, with a market share of 3.56 percent. Aggregate data consisted of 277 institutions that had either originated or purchased a HMDA reportable loan within the assessment area. This criterion is typically given the greatest weight in evaluating the bank's record of compliance with the Community Reinvestment Act (CRA).

The bank's performance in lending within the various census tracts within its assessment area is considered to meet the standards of satisfactory performance.

Pilgrim Co-operative Bank's Fair Lending performance is also considered to meet the standards of satisfactory performance and no CRA related complaints have been received since the prior examination.

Based on the above information, Pilgrim Co-operative Bank's performance is considered to be at a satisfactory level.

PERFORMANCE CONTEXT

Description of Institution

Pilgrim Co-operative Bank is a mutually owned institution chartered by the Commonwealth of Massachusetts. The bank's sole office is located at 48 South Main Street in downtown Cohasset. As of June 30, 1999, the total loan portfolio was approximately \$61 million or 74.0 percent of the bank's \$83 million in total assets. The bank is primarily a residential mortgage lender with 90 percent of its loan portfolio secured by one to four family residential properties. Commercial real estate loans represented 7.5 percent of the portfolio and consumer loans represented 2.5 percent.

Pilgrim Co-operative Bank also offers low cost checking and savings products to its customers and potential customers. Its Basic Checking account requires a minimum balance of \$10 to earn interest. There is no fee for up to 50 withdrawals in a statement cycle; however, there is a \$3 charge if more than 50 checks are processed a month. The bank's Basic Savings account does not assess a monthly fee and only requires a minimum balance of \$10 to earn interest. In addition, Pilgrim Co-operative Bank is a participant in the public assistance check Direct Deposit program.

This institution was rated a Satisfactory by the FDIC at the previous examination for compliance with the Community Reinvestment Act on September 2, 1998.

Description of Assessment Area

The CRA requires a financial institution to identify an assessment area in which it intends to focus its lending efforts. Pilgrim Co-operative Bank's assessment area consists of the five towns of Cohasset, Hingham, Hull, Norwell and Scituate. The Town of Cohasset is located in Norfolk County while the remaining four towns are located in Plymouth County. The entire assessment area is located within the Boston Metropolitan Statistical Area (MSA). The Boston MSA has an estimated median family income of \$60,000 for 1998, and \$62,700 for 1999, which is adjusted for inflation by the Department of Housing and Urban Development (HUD)

The assessment area is comprised of 12 census tracts. Census tracts are defined as either low, moderate, middle or upper-income based on median Family Household Income (FHI) within the census tract. The census tracts include four middle-income tracts (33.3 percent) and eight upper-income tracts (66.7 percent). There are no low-income or moderate-income census tracts within the bank's assessment area. According to 1990 U.S. Census data, the weighted average median family income for the assessment area is \$62,192, which far exceeds that of the Boston MSA, which was \$48,688.

Housing stock within the assessment area is primarily one-to-four family residential units (91.7 percent), of which a substantial majority is owner-occupied (71.4 percent). Based

on the data derived from the 1990 Census, the population of the assessment area totaled 63,427 individuals. Refer to the following table for assessment area demographics:

ASSESSMENT AREA DEMOGRAPHICS				
CENSUS TRACT INCOME LEVEL	# OF CENSUS TRACTS	CENSUS TRACT PERCENTAGE	# FAMILY HOUSEHOLDS	MEDIAN HOUSING VALUE
MIDDLE	4	33.3	6,070	178,925
UPPER	8	66.7	11,034	239,253
TOTAL	12	100.0	17,104	

Source: 1990 Census Data

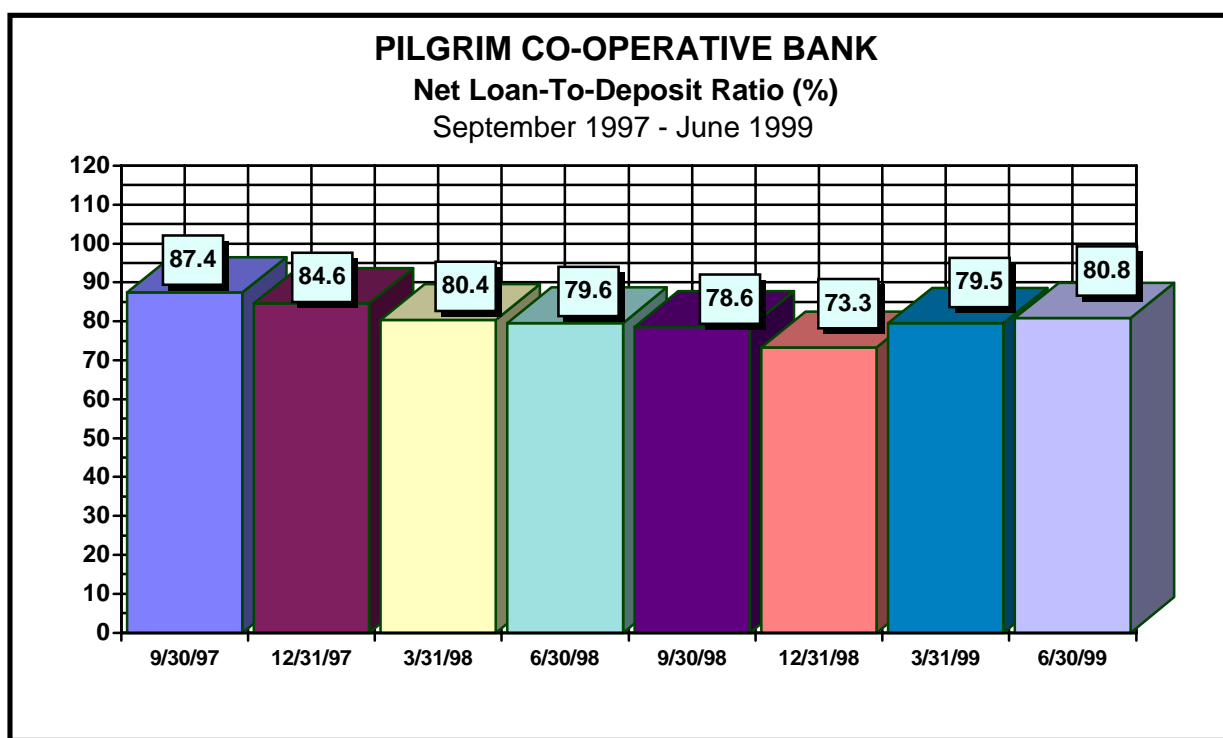
The bank's assessment area is an affluent residential area, which, in spite of developments in recent years, still maintains much of its former rural character. The Town of Cohasset, specifically, has managed to retain its small-town character, because ledge and marshland make it difficult to develop. In the early 1900s, shipbuilding and fishing were an important industry throughout the five towns that comprise the bank's assessment area; however, today's residents tend to be executives, either with area companies or in the City of Boston. The development of the former Hingham shipyard is expected to further expand its use; and the access to the harbor allows for boat transportation to and from the City of Boston.

Aggregate data for lending performance purposes only, consists of 277 (both large and small) mortgage companies, savings bank's, commercial bank's, cooperative banks, and credit unions, which have originated and/or purchased residential mortgage and/or home improvement loans within the bank's assessment area. PCI Services, Inc., CRA WIZ Software was used to generate this information.

PERFORMANCE CRITERIA

1. NET LOAN TO DEPOSIT ANALYSIS

Pilgrim Co-operative Bank's average net loan-to-deposit ratio was calculated by using the data reported in the previous eight quarterly FDIC Call Reports. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The bank's average net loan-to-deposit ratio for the period of September 30, 1997 through June 30, 1999 is 80.5 percent. At the previous Division of Bank's examination on June 25, 1997, the average net loan-to-deposit ratio was calculated to be 75.3 percent. The following graph depicts the net loan-to-deposit ratio for each quarter under review.



As indicated in the above graph, the bank's net loan-to-deposit ratio stands at 80.8 percent as of June 30, 1999, and appears to be on an upward trend since December of 1998. The gradual decrease in the net loan-to-deposit ratio from September of 1997 to December of 1998 can be attributed to some large pay-offs in the loan portfolio as well as management's attempt to improve the bank's liquidity position.

When compared with the net loan to deposit ratio of two local competitors, Pilgrim Co-operative Bank's ratio is slightly lower; however, both institutions are much larger in asset size and have a much greater branch network.

Based on this bank's size and resources, credit needs and competition within the assessment area, this ratio meets the standard for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

A review of Pilgrim Co-operative Bank's 1998 and year-to-date August 20, 1999 Loan Application Registers (LAR) was conducted to determine the geographic distribution of originated residential loans. This information indicated the bank originated 183 HMDA reportable loans during this period. HMDA reportable loans consist of home purchases and home improvement loans, including refinances on both one-to-four family and multi-family properties (five or more properties). The majority of these loans (134 or 73.2 percent) were for refinancing of home purchases, while 24.1 percent were for home purchases, 1.6 percent were for multi-family properties and 1.1 percent were for home improvements. A total of 138 or 75.4 percent were originated within the towns that comprise the bank's assessment area. The Town of Cohasset exhibited the largest concentration of loans with 36.1 percent of the total number and 38.9 percent of the total dollar amount. This is expected, as the bank's only office is located in Cohasset Village. Refer to the following tables for additional information.

LOANS BY NUMBER OF ORIGINATIONS

	1998		*Y-T-D 1999		TOTALS	
LOCATION	#	%	#	%	#	%
Cohasset	37	35.2	29	37.2	66	36.1
Scituate	27	25.7	16	20.5	43	23.5
Hull	14	13.3	8	10.2	22	12.0
Hingham	5	4.8	1	1.3	6	3.3
Norwell	1	1.0	0	0.0	1	0.5
INSIDE ASSESSMENT AREA	84	80.0	54	69.2	138	75.4
OUTSIDE ASSESSMENT AREA	21	20.0	24	30.8	45	24.6
TOTALS	105	100.0	78	100.0	183	100.0

*Year-to-Date Jan. 1, 1999 through Aug. 29, 1999.

An additional review of the total dollar amount of HMDA reportable originations for the same period was also conducted. The bank granted a total of \$28,125,000 in HMDA reportable loans during this period. Of these loans, \$21,592,000 or 76.8 percent were originated within the bank's assessment area.

LOANS BY DOLLAR AMOUNT OF ORIGINATIONS

	1998		*Y-T-D 1999		TOTALS	
LOCATION	\$	%	\$	%	\$	%
Cohasset	5,884	39.7	5,068	38.1	10,952	38.9
Scituate	4,091	27.6	2,550	19.2	6,641	23.6
Hull	1,606	10.8	1,092	8.2	2,698	9.6
Hingham	706	4.8	525	3.9	1,231	4.4
Norwell	70	0.5	0	0.0	70	0.3
INSIDE ASSESSMENT AREA	12,357	83.4	9,235	69.4	21,592	76.8
OUTSIDE ASSESSMENT AREA	2,456	16.6	4,077	30.6	6,533	23.2
TOTALS	14,813	100.0	13,312	100.0	28,125	100.0

*Year-to-Date Jan. 1, 1999 through Aug. 29, 1999.

As mentioned previously, the bank faces considerable competition for mortgages within its assessment area. Over 277 bank and non-bank entities have originated or purchased residential mortgages in the bank's assessment area. However, according to the 1997 market share report generated by PCI Services, Inc. CRA WIZ, (the most recent information available) Pilgrim Co-operative Bank ranked eighth for HMDA reportable mortgage originations throughout its assessment area with a market share of 2.0 percent. The top four lenders, all much larger institutions, consisted of Peoples Heritage Savings Bank with a market share of 5.0 percent; and Countrywide Home Loans, Inc., Fleet National Bank and Citizens Bank of Massachusetts all with 3.0 percent each of the market.

Based upon all of the above information, Pilgrim Co-operative Bank's level of lending within its assessment area meets the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Boston Metropolitan Statistical Area (MSA). These income figures are based on estimated Department of Housing and Urban Development

(HUD) information. The estimated median family income in 1998 and 1999 were \$60,000 and \$62,700, respectively.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

Refer to the following table for information regarding the bank's distribution of credit among different income levels by number with the amount of family households within each income category.

LOAN ORIGINATIONS BY INCOME OF BORROWER (NUMBER)								
Borrower Income Level	Family Households		1998		*Y-T-D 1999		Total	
	#	%	#	%	#	%	#	%
< 50%	1,812	10.6	4	4.8	4	7.4	8	5.8
50 - 79%	2,310	13.5	9	10.7	10	18.5	19	13.8
80 - 119%	3,765	22.0	16	19.1	15	27.8	31	22.5
> = 120%	9,217	53.9	54	64.3	24	44.4	78	56.5
NA	0	0	1	1.1	1	1.9	2	1.4
TOTALS	17,104	100.0	84	100.0	54	100.0	138	100.0

Source: HMDA/LAR Data for the period 1/1/98 through 8/20/99.

The above table indicates that in 1998 and year-to-date August 20, 1999 Pilgrim Co-operative Bank granted 5.8 percent of its residential mortgage loans to low-income individuals and 13.8 percent to moderate-income individuals. According to 1990 Census data, low-income family households comprise 10.6 percent of the assessment area and moderate-income family households comprise 13.5 percent of the assessment area. Although the percentage of lending to low-income borrowers is much lower than the percentage of low-income family households within the assessment area, the low origination rate may be the result of the high median housing value in the assessment area. As mentioned in the Performance Context Section of this Report, the median housing value in the assessment area ranges from \$178,925 in the middle-income census tracts to \$239,253 in the upper-income census tracts. This information is based on 1990 U.S. Census data.

The following table depicts the dollar amount of HMDA reportable loans by borrower incomes.

LOAN ORIGINATIONS BY INCOME OF BORROWER (Dollar Amount)						
Borrower Income Level	1998		*Y-T-D 1999		Total	
	\$	%	\$	%	\$	%
< 50%	255	2.1	266	2.9	521	2.4
50 - 79%	599	4.9	1,089	11.8	1,688	7.8
80 - 119%	1,855	15.0	1,810	19.6	3,665	17.0
> = 120%	9,480	76.7	5,773	62.5	15,253	70.6
NA	168	1.3	297	3.2	465	2.2
TOTALS	12,357	100.0	9,235	100.0	21,592	100.0

Source: HMDA/LAR Data for the period 1/1/98 through 8/20/99.

A 1997 aggregate market share report generated by PCI Services, Inc., CRA Wiz, indicated that for all other HMDA reporters in the bank's assessment area, Pilgrim Co-operative Bank was ranked as the number three lender to low and moderate-income borrowers. Pilgrim Co-operative Bank's percentage of loans to low and moderate-income borrowers outperformed that of the aggregate. As mentioned previously, aggregate data consist of all HMDA-reporting institutions that have originated and or purchased a loan within the assessment area. During 1997, approximately 2.5 percent of total loan originations reported by all other HMDA-reporting lenders in the assessment area were to low-income borrowers, compared to 6.8 percent reported by Pilgrim Co-operative Bank. Moderate-income borrowers accounted for 9.6 percent of the aggregate lending compared to 12.3 percent of Pilgrim Co-operative Bank's lending to moderate-income borrowers. In addition, Pilgrim Co-operative Bank's lending to low and moderate-income applicants is on an increasing trend from 1998 and year-to-date August 20, 1999. This level of lending exceeds the standards of satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of HMDA reportable loan originations extended within the census tracts contained in the bank's assessment area was conducted during the examination. The bank's assessment area is comprised of 12 census tracts, 4 of which are designated as middle-income, and 8 designated as upper-income. There are no low and moderate-income census tracts within the bank's assessment area.

The following tables illustrate the geographic distribution of loan originations by number and dollar amount for the period covered.

ORIGINATIONS BY CENSUS TRACT

CENSUS TRACT	1998	Y-T-D 1999*	TOTAL
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	#	%	#	%	#	%
MIDDLE	20	23.8	12	22.2	32	23.2
UPPER	64	76.2	42	77.8	106	76.8
TOTAL	84	100.0	54	100.0	138	100.0

Source: HMDA/LAR Data Jan. 1, 1998 through *Aug. 20, 1999.

ORIGINATIONS BY CENSUS TRACT

CENSUS TRACT	1998		Y-T-D 1999*		TOTAL	
	\$	%	\$	%	\$	%
MIDDLE	2,369	19.2	2,132	23.1	4,501	20.8
UPPER	9,988	80.8	7,103	76.9	17,091	79.2
TOTAL	12,357	100.0	9,235	100.0	21,592	100.0

Source: HMDA/LAR Data Jan. 1, 1998 through *Aug. 20, 1999

Despite the lack of low and moderate-income census tracts within the bank's assessment area, Pilgrim Co-operative Bank has shown a willingness to lend to low and moderate-income individuals as depicted in the previous criterion (Distribution Of Credit Among Different Income Levels). Approximately 20.0 percent of residential mortgage loans granted in 1998 and year-to-date August 20, 1999 were to low and moderate-income applicants.

Based upon the geographic location of the bank's only office and the demographics of the bank's assessment area, the distribution of loan originations in the middle and upper-income census tracts appears to be reasonable. Pilgrim Co-operative Bank is considered to meet the standards of satisfactory performance in generating originations from all segments of its assessment area.

5. REVIEW OF COMPLAINTS

Pilgrim Co-operative Bank has not received any complaints relating to its CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

The bank has a written Fair Lending Policy that was revised in August of 1999 and approved by the Board of Directors on September 14, 1999. Included in this policy are guidelines for non-discriminatory behavior with potential loan applicants and the general customers of the bank. This policy is considered adequate in addressing the standards set forth in the Division of Bank's Regulatory Bulletin 2.3-101.

STAFF TRAINING

Pilgrim Co-operative Bank has not conducted or participated in any Fair Lending or diversity training since the previous examination.

STAFF COMPOSITION AND COMPENSATION

As of this examination date, Pilgrim Co-operative Bank's staff consists of 12 full-time employees. One employee is bilingual and is fluent in Polish. Bank personnel responsible for loan originations are not compensated on a commission basis and therefore, are not encouraged to originate large dollar loans at the expense of originating smaller loans which may be to lower income individuals.

OUTREACH

The President of the bank is a member of the Cohasset Housing Partnership Committee. In addition, all members of the Board of Directors live in the Town of Cohasset. Reportedly, credit needs of the assessment area are ascertained primarily through informal discussions with customers of the bank and residents of the assessment area.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

Pilgrim Co-operative Bank offers loan products that are comparable to those offered by other institutions within the assessment area. These products include construction loans, first and second mortgages on one to four family properties, and home equity lines of credit. The bank's loan policy prohibits granting mortgage loans with a loan to value ratio greater than 90 percent. The bank offers an array of installment loans including personal, auto, home improvement, and passbook loans.

MARKETING

Pilgrim Co-operative Bank advertises its interest rates weekly in a local newspaper that is distributed throughout its assessment area. No other forms of advertising are utilized.

CREDIT EDUCATION

Pilgrim Co-operative Bank has not participated in or conducted any home ownership seminars to educate potential borrowers about the home buying process. Management does, however, regularly lend their expertise to potential borrowers on a one on one basis. The bank provides free, mortgage loan pre-qualifications for potential borrowers in an effort to assist them in the home buying process. Educated individuals will know what monthly expenses to expect and the price of real estate that they can realistically afford.

COUNSELLING

Pilgrim Co-operative Bank encourages borrowers experiencing credit difficulties to meet with the President of the bank. At this time, any problems will be outlined and the appropriate solution will be discussed.

The bank limits its counseling efforts to its own debt and encourages borrowers to seek independent counseling for their overall credit. In addition, Pilgrim Co-operative Bank supports the Consumer Credit Counseling Service of Massachusetts by making an annual contribution.

SECOND REVIEW PRACTICES

The bank has developed and implemented a second review process through which all mortgage loans that fail to meet the bank's lending guidelines are reviewed by the Security Committee. This Committee is comprised of the bank's President and two Directors.

INTERNAL CONTROL PROCEDURES

The bank's CRA/Compliance Officer reviews the bank's Loan Application Register at least quarterly to ensure the accuracy of the information.

MINORITY APPLICATION FLOW

Residential mortgage applications received from minority applicants from within the assessment area during 1998 and year-to-date August 20, 1999 were reviewed. During this period, Pilgrim Co-operative Bank received a total of four applications from minority applicants. Refer to the following table for detail.

RESIDENTIAL APPLICATION FLOW						
RACE	1998		1999*		TOTAL	
	#	%	#	%	#	%
American Indian	0	0.0	0	0.0	0	0.0
Asian	0	0.0	0	0.0	0	0.0
Black	0	0.0	0	0.0	0	0.0
Hispanic	0	0.0	0	0.0	0	0.0
Joint/Other	2	3.6	2	2.2	4	2.7
TOTAL MINORITY	2	3.6	2	2.2	4	2.7
White	54	96.4	91	97.8	145	97.3
TOTAL	56	100.0	93	100.0	149	100.0

Source: 1998 & year-to-date August 20, 1999 HMDA/LAR Data

One application received in 1999 was from an Asian applicant, however, it is not included in the above table since it was from outside of the assessment area. All of the minority applications received were originated.

As mentioned previously, the bank's assessment area has a total population of 63,427, of which 1,490 or 2.3 percent are minority. Based on the above information, the number of applications received from minority individuals adequately represents the assessment area as a whole.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

PILGRIM CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **AUGUST 27, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its